

RELIANCE COMMUNICATIONS INTERNATIONAL, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

MARCH 31, 2008

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**DEV M. KINI, CPA, CFP.,
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INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
Reliance Communications International Inc
570 Lexington Avenue, 38th Floor
New York, NY 10022

We have audited the accompanying balance sheet of Reliance Communications International Inc as of March 31, 2008 and the related statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements enumerated above present fairly, in all material respects, the financial position of Reliance Communications International Inc. as of March 31, 2008 and the results of its operations and its cash flows for the year ended March 31, 2008 are in conformity with accounting principles generally accepted in the United States of America.



New York, New York
April 18, 2008

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New York, New York
April 18, 2008

RELIANCE COMMUNICATIONS INTERNATIONAL, INC.
BALANCE SHEET
AS OF MARCH 31, 2008 AND MARCH 31, 2007

	March 31, 2008 (in USD)	March 31, 2007 (in USD)
ASSETS		
Current assets:		
Cash	3,914,757	2,050,483
Accounts receivable	7,544,358	5,987,798
Other current assets	14,352,716	11,551,591
Total current assets	<u>25,811,831</u>	<u>19,589,872</u>
Deposits	5,530	5,530
Total assets	<u>25,817,361</u>	<u>19,595,402</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	19,337,698	16,648,567
Unearned Income	1,257,774	865,394
Provision of Tax	1,385,547	159,497
	<u>21,981,019</u>	<u>17,673,458</u>
Stockholders' equity		
Common stock - no par value, 1000 shares authorized; 100 shares issued and outstanding	10,000	10,000
Retained earnings	3,826,342	1,911,944
Total stockholders' equity	<u>3,836,342</u>	<u>1,921,944</u>
Total liabilities and stockholders' equity	<u>25,817,361</u>	<u>19,595,402</u>

See notes to financial statements

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See notes to financial statements

RELIANCE COMMUNICATIONS INTERNATIONAL, INC.
STATEMENT OF OPERATIONS AND RETAINED EARNINGS
YEAR ENDED MARCH 31, 2008 & MARCH 31, 2007

	March 31, 2008 (in USD)	March 31, 2007 (in USD)
Revenue from operations	139,248,342	161,187,668
Cost of operation	(127,300,981)	(150,268,937)
Gross profit	<u>11,947,361</u>	<u>10,918,731</u>
General and administrative expenses	8,806,944	8,697,034
Operating net income (loss)	<u>3,140,417</u>	<u>2,221,697</u>
Interest income	31	864
Interest expense	-	-
Income before taxes on income	<u>3,140,448</u>	<u>2,222,561</u>
Taxes on income:		
Current	1,226,050	353,271
Deferred	-	-
	<u>1,226,050</u>	<u>353,271</u>
Net Income	<u>1,914,398</u>	<u>1,869,290</u>
Retained earnings, beginning of year	1,911,944	42,654
Retained earnings, end of year	<u><u>3,826,342</u></u>	<u><u>1,911,944</u></u>

See notes to financial statements

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See notes to financial statements

RELIANCE COMMUNICATIONS INTERNATIONAL, INC.
STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2008 & MARCH 31, 2007

	March 31, 2008 (in USD)	March 31, 2007 (in USD)
Cash flows from operating activities:		
Net Income	1,914,398	1,869,290
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	-	-
Changes in:		
Accounts receivable	(1,556,560)	(826,923)
Prepaid taxes and other current assets	(2,801,125)	6,005,516
Deposits	-	-
Non current assets	-	-
Accounts payable and accrued expenses	4,307,561	(6,630,016)
 Net cash used in operating activities	<u>1,864,274</u>	<u>417,867</u>
Cash flows from investing activities:		
Purchases of property and equipment	-	-
Investment and loan	-	-
 Net cash used in investing activities	<u>-</u>	<u>-</u>
Cash flows from Financing Activities:		
Loan Payable	-	-
Common Stock	-	-
 Net cash used in Financing Activities	<u>-</u>	<u>-</u>
 Net increase in cash and cash equivalents	1,864,274	417,867
Cash and cash equivalents - beginning of year	2,050,483	1,632,615
 Cash and cash equivalents - end of year	<u><u>3,914,757</u></u>	<u><u>2,050,483</u></u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for income taxes	212,712	67,533

See notes to financial statements

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YEAR ENDED MARCH 31, 2008 & MARCH 31, 2007

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Purchases of property and equipment	-	-
Investment and loan	-	-
 Net cash used in investing activities	<u>-</u>	<u>-</u>
Cash flows from Financing Activities:		
Loan Payable	-	-
Common Stock	-	-
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RELIANCE COMMUNICATIONS INTERNATIONAL, INC.**Notes to Financial Statements****March 31, 2008****NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reliance Communications International, Inc. (the "Company") is a Delaware corporation incorporated on September 29, 2003 as a wholly owned subsidiary of Reliance Communications, Inc. The new Company provides international telecommunication services between the United States and foreign points.

[1] Cash and cash equivalents:

The company considers all highly liquid accounts (money market funds) and investments with a maturity of three months or less when acquired as cash equivalents.

[2] Revenue recognition:

International Voice and Data revenue is recognized as services are performed.

[3] Income taxes:

This liability method will be used in accounting for income taxes for the future years. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. As of March 31, 2008 there are no timing differences.

[4] Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

[5] Transfer pricing:

Transfer pricing is based on provisions contained in US transfer pricing regulations and Organization for Economic Co-operation & Development (the OECD guidelines). Accordingly Reliance Communications International Inc. would retain 7% mark up on the cost incurred.

[6] Other current assets:

The amount includes receivables from group companies for \$ 13,991,553

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